

**DIRECT TESTIMONY**

**OF**

**GREG ROCKROHR**

SAFETY AND RELIABILITY DIVISION  
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company d/b/a Ameren Illinois  
and  
MidAmerican Energy Company d/b/a MidAmerican

DOCKET NO. 14-0572

Petition for Declaratory Ruling that Approval of Purchase of Utility Assets is not Necessary pursuant to Section 7-102 and 83 Illinois Administrative Code 105.40 or, in the alternative, Approval of Purchase of Utility Assets pursuant to Section 7-102; Transfer of Franchises, Licenses, Permits or Rights to Own pursuant to Section 7-203; Transfer of Certificates of Convenience and Necessity pursuant to Section 8-406; and the Granting of All Other Necessary and Appropriate Relief.

January 23, 2015

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1 **Introduction**

2 Q. **What is your name and business address?**

3 A. My name is Greg Rockrohr. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5 Q. **By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission ("Commission") as a Senior  
7 Electrical Engineer in the Safety and Reliability Division. I review various planning  
8 and operating practices of electric utilities that operate in Illinois, and provide  
9 opinions and guidance to the Commission through reports and testimony.

10 Q. **What is your previous work experience?**

11 A. Prior to joining the Commission Staff ("Staff") in 2001, I was an electrical engineer  
12 at Pacific Gas and Electric Company in California for approximately 18 years. Prior  
13 to that, I was an electrical engineer at Northern Indiana Public Service Company  
14 for approximately 3 years. I am a registered professional engineer in the state of  
15 California.

16 Q. **What is your educational background?**

17 A. I hold a Bachelor of Science degree in Electrical Engineering from Valparaiso  
18 University. I have attended numerous classes and conferences relevant to electric  
19 utility operations while employed in the utility industry and at the Commission.

20 Q. **What is the purpose of your testimony?**

21 A. On September 19, 2014, Ameren Illinois Company d/b/a Ameren Illinois ("AIC")  
22 and MidAmerican Energy Company d/b/a MidAmerican ("MEC") (together,  
23 "Companies") filed a verified petition ("Petition") requesting that the Commission  
24 declare that the purchase of certain Illinois electric transmission assets by AIC from

MEC is exempt from approval under Section 7-102 of the Illinois Public Utilities Act (“Act”) (220 ILCS 5/7-102) and Section 105.40 of the Administrative Regulations of the Commission (83 Ill. Adm. Code 105.40). The transmission assets that the Companies’ request to transfer include: (1) two transformers and associated equipment installed at AIC’s East Galesburg Substation, and (2) the southern 17.2-mile segment of a 161 kV line that MEC plans to construct between its Oak Grove Substation and a new substation that Ameren Transmission Company of Illinois (“ATXI”) plans to construct. If the Commission determines that its approval is required, the Companies request that the Commission approve the purchase pursuant to 220 ILCS 5/7-102. The Companies further request that the Commission approve (1) the Transmission Facilities Purchase Agreement and its exhibits attached to the Petition (Petition, Appendix A); (2) the transfer to AIC of the franchises, licenses, permits or rights to own the assets pursuant to Section 7-203 of the Act (220 ILCS 5/7-203); (3) the transfer to AIC of the necessary portions of the electric transmission Certificates of Public Convenience and Necessity (“Certificates”) held by MEC, and (4) any and all other relief necessary and appropriate. (Petition, 1-2.) My testimony provides and explains my recommendations regarding the Companies’ requests.

**Q. What is your recommendation regarding the Companies’ requests?**

A. I recommend that the Commission declare the transfer of the transformers exempt from Commission approval, but that the Commission not declare the transfer of the 17.2-mile 161 kV transmission line exempt from Commission approval. I recommend that the Commission approve the transfer of this transmission line from MEC to AIC subject to certain conditions, which I will explain later in this testimony.

**Companies' Request**

**Q. What is your understanding regarding the assets that are the subject of the Companies' request?**

A. The Companies seek to transfer two different types of transmission assets from MEC to AIC. It is my understanding that the transfer of either asset is not contingent on the transfer of the other. (Petition, Appendix A, 3.) The first asset includes two existing 161-138 kV transformers and related equipment installed at AIC's East Galesburg Substation ("Transformers"), which MEC (or its predecessor) has owned since the 1950s. (Petition, Appendix A, 29; Affidavit of Dehn A. Stevens, 3.) The second asset is a 17.2 mile segment of a 161 kV transmission line ("Transmission Line") that does not presently exist, but that MEC plans to construct. (Petition, 5-7.)

**Q. What statute(s) and/or administrative rule(s) apply to the Companies' asset transfer proposal?**

Though I am not an attorney, it is my understanding that Section 7-102 of the Act and 83 Ill. Adm. Code Part 105 both apply. Section 7-102(E) provides, in relevant part:

The filing of, and the consent and approval of the Commission for, any assignment, transfer, lease, mortgage, purchase, sale, merger, consolidation, contract or other transaction by an electric or gas public utility with gross revenues in all jurisdictions of \$250,000,000 or more annually involving a sale price or annual consideration in an amount of \$5,000,000 or less shall not be required.

220 ILCS 5/7-102(E). In turn, 83 Ill. Adm. 105.40 provides, in pertinent part, for Commission waiver of approval for "sales of property involving a consideration of not more than \$300,000 for utilities with gross revenues in excess of \$50,000,000 annually..." 83 Ill. Adm. 105.40(a)(1).

77 Q. **What is the Companies position regarding the application of Section 7-102(E)**  
78 **of the Act and 83 Ill. Adm. Code Part 105.40?**

79 A. The Companies assert that because (1) both MEC and AIC are public utilities  
80 within the meaning of 220 ILCS 5/3-105, (2) both MEC and AIC have gross annual  
81 revenues exceeding \$250 million in all jurisdictions, and (3) the combined  
82 purchase price of both the asset types involved in the transaction (the  
83 Transformers and the Transmission Line) is approximately \$240,000, that the  
84 transfer of assets contemplated in the Petition is exempt from Commission  
85 approval under both Section 7-102 and 83 Ill. Adm. Code 105.40. (Petition, 1-2,  
86 n.1, 9.)

87 Transfer of Transformers

88 Q. **Do you agree that the transfer of the Transformers is exempt from**  
89 **Commission approval?**

90 A. Yes. The Companies state that the sale price of the Transformers will be the net  
91 book value times a factor of 1.3. (Petition, Appendix A, 3.) The net book value of  
92 the Transformers was \$85,314 as of December 31, 2013. (Petition, Appendix A,  
93 3.) Therefore, if the asset transfer takes place sometime during 2015, the sale  
94 price will be something less than  $\$85,314 \times 1.3 = \$110,908$ , or less than the  
95 jurisdictional amounts contained in Section 7-102 and 83 Ill. Adm. Code 105.40.  
96 The Companies' valuation of the Transformers, based on the net book value of the  
97 asset to be transferred, appears to me to be reasonable. Therefore, I conclude  
98 that the transfer of the Transformers should be exempt from Commission approval.

Transfer of Transmission Line

Q. **Why should transfer of the Transmission Line not be exempt from Commission approval?**

A. The proposed sale price of the Transmission Line, which under the Companies' calculation would be less than \$120,000, is lower than the threshold amount that requires Commission approval in both Section 7-102(E) of the Act and 83 Ill. Adm. Code 105.40. However, several facts associated with the Transmission Line make dependence upon this agreed-upon sale price problematic when determining whether or not Commission approval is required. The primary problem is that the sale price appears to vastly under-represent the value of the Transmission Line. Furthermore, the Transmission Line does not yet exist. Rather, it is the southern segment of a new 161 kV transmission line that MEC plans to construct from its Oak Grove Substation to ATXI's planned Sandburg Substation. This new line is to completely replace an existing Oak Grove – East Galesburg 161 kV line that MEC's predecessor company installed in the 1950s. (Petition, Appendices C and D.) The new 161 kV line will have nearly double the capacity of the existing 161 kV line. In response to Staff Data Requests ENG 2.04, included as Attachment A to this testimony, MEC indicates that the value of the new 17.2-mile 161 kV line will be approximately \$14,255,000. Though the actual value of the Transmission Line is likely to exceed \$14 million, the Companies' request that the Commission base its decision in this docket on their agreed-upon price for the Transmission Line: the net book value of MEC's existing 161 kV line (the line that will be removed and that will no longer exist at the time the transfer occurs) times a factor of 1.3. (Petition, Appendix A, 4.) The net book value of the existing 161 kV transmission

line (that will be replaced with the Transmission Line) was \$89,673 as of December 31, 2013. *Id.* Thus, per the Agreement, AIC will pay less than \$120,000 to MEC for a new 161 kV transmission line with an estimated value of over \$14 million.

Q. **Is the actual value of the Transmission Line the primary reason for your position that the transfer of the Transmission Line should not be exempt from Commission approval?**

A. Yes. Once constructed, the Transmission Line's actual value will likely be over \$14 million, an amount far in excess of the amounts requiring Commission approval listed in Section 7-102(E) of the Act and 83 Ill. Adm. Code 105.40. I recommend that, rather than declaring the transfer of the Transmission Line exempt from Commission approval, the Commission instead conditionally grant the transfer.

Q. **What condition(s) should the Commission impose on the transfer of the Transmission Line?**

A. The Commission's approval of the Transmission Line transfer should be conditioned upon the outcomes of Docket Nos. 14-0494 and 14-0514 because the Transmission Line does not yet exist, and its future existence depends upon the outcomes of these dockets. The important point here is that the actual 161 kV transmission line that the Companies plan to transfer from MEC to AIC will only exist if the Commission separately grants MEC's request for a Certificate in Docket No. 14-0494. (Petition Appendix A, 2.) Additionally, the proposed two end points of the Transmission Line are at substations that do not yet exist. In the south, MEC intends to terminate the Transmission Line at ATXI's proposed new Sandburg Substation, which is included as part of ATXI's request in Docket No. 14-0514. *Id.*;



(Docket 14-0514, Petition, 1.) In the north, MEC plans to terminate the Transmission Line at AIC's proposed new Mercer Substation, which AIC plans to construct in 2015.<sup>1</sup> (Petition Appendix A, 2.) In other words, not only does the Transmission Line not yet exist, neither do its proposed endpoints. If the Commission's approval in this docket were to require that, prior to the transfer of the Transmission Line, MEC receive a Certificate for its proposed 345 kV line in Docket 14-0494, and ATXI receive an order pursuant to Section 8-503 of the Act authorizing construction of Sandburg Substation in Docket 14-0514, then transfer of the Transmission Line (the southern-most 17.2 miles of MEC's new Oak Grove to Sandburg 161 kV line) to AIC would not pre-suppose the outcomes in Docket Nos. 14-0494 and 14-0514. Without these conditions, the Commission's approving the transfer of the Transmission Line in this proceeding would pre-suppose the outcomes in Docket Nos. 14-0494 and 14-0514.

Transfer of Certificate

**Q. Is there any other matter that links this docket and Docket No. 14-0494?**

A. Yes. In the Petition, the Companies request that the Commission approve the transfer to AIC of a portion of the Certificate for the Oak Grove to East Galesburg 161 kV line previously issued pursuant to Section 8-406 of the Act. (Petition, 2, 10.) The Companies assert that the Commission has authority under Section 7-203 of the Act to approve the transfer of the Certificate, and that the transfer is in the public interest. (Petition, 10-11.) If the Commission approves the transfer of the Transmission Line, I do not object to the transfer of a portion of MEC's existing

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<sup>1</sup> In response to Staff discovery, Companies state that the connection of Mercer Substation is not expected until 2015, and that MEC will permit AIC to interconnect the Mercer Substation in 2015 when AIC is ready to make that connection.

Certificate, which is attached to the Petition as Appendix D. This Certificate covers a 161 kV transmission line from a substation near Milan, in Rock Island County, to a Substation near East Galesburg. (Petition, Appendix D.) The Companies propose to transfer only a portion of the existing Certificate: the portion that covers the southern-most 17.2 miles of MEC's 161 kV transmission line. (Petition, Appendices C and D.)

**Q. If the Commission approves the transfer of the Transmission Line, how might the Commission transfer to AIC only the southern-most 17.2 mile segment of MEC's existing Certificate?**

A. I do not know how the requested Certificate transfer can occur without some modification to the existing Certificate for the 161 kV line. I was aware of AIC and MEC's request in this docket when preparing my direct testimony in Docket No. 14-0494. That is why in my direct testimony in Docket No. 14-0494 I recommend that, if the Commission grants a Certificate for MEC's proposed 345 kV line, the Commission also grant MEC two new Certificates for its proposed 161 kV transmission line to replace MEC's existing Certificate (Petition Appendix D): one Certificate should cover the segment from MEC's Oak Grove Substation to AIC's Mercer Substation and one Certificate should cover the segment from AIC's Mercer Substation to ATXI's Sandburg Substation. (Docket No. 14-0494, Staff Ex. 1.0, 14-18.) If the Commission issues these two Certificates for MEC's 161 kV transmission line in Docket No. 14-0494, the Commission could then transfer from MEC to AIC the Certificate covering the southern 17.2 mile segment of MEC's new 161 kV transmission line (Mercer to Sandburg), as the Companies request.

Additional Requests

Q. **Do the Companies make any additional requests in the Petition?**

A. Yes. If the Commission determines that its approval of the asset transfer is required, the Companies request that the Commission also approve the Transmission Facilities Purchase Agreement, attached to the Petition as Appendix A (“Agreement”) and its exhibits. (Petition, 1-2, 9.) I find no reason to object to the Companies’ request, subject to the conditions described above with respect to the transfer of the Transmission Line and associated Certificate.<sup>2</sup>

The Companies also request that transfer of the franchises, licenses, permits, easements, rights-of-way and rights to own the assets at issue pursuant to Section 7-203 of the Act should be approved by the Commission. (Petition, 2, 9-10.)

Section 7-203 states, in relevant part:

No franchise, license, permit or right to own, operate, manage or control any public utility shall be assigned, transferred or leased nor shall any contract or agreement with reference to or affecting any such franchise, license, permit or right be valid or of any force or effect whatsoever, unless such assignment, lease, contract, or agreement shall have been approved by the Commission. Such permission shall not be construed to revive or validate any lapsed or invalid franchise, license, permit or right, or to enlarge or add to the powers and privileges contained in the grant of any franchise, license, permit or right, or to waive any forfeiture.

220 ILCS 5/7-203.

It is my understanding that Section 7-203 would not apply to the transfer of the Transformers. The Transformers are located within AIC’s existing East Galesburg Substation, wherein AIC already has full utility rights to operate. (Affidavit of Gary

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<sup>2</sup> Because the transfer of the Transformers should be exempt from Commission approval, the Commission need not approve the Agreement for the transfer of the Transformers to occur.

Brownfield, 2-3.) Thus, it is my understanding that there are no franchise rights, permits, licenses or rights being transferred with the Transformers, only the asset itself. The scenario is different with respect to the Transmission Line. If the Commission approves the Transmission Line transfer, then the Commission should also transfer any associated franchise, license, permit or right to own, operate, manage or control the Transmission Line. I recommend that the Commission grant the Companies' request regarding Section 7-203, subject to the conditions described above with respect to the transfer of the Transmission Line and Certificate.

**Cost Recovery**

**Q. Assuming AIC purchases the Transmission Line for the agreed-upon price that is far lower than MEC's cost for constructing the Transmission Line, how will MEC recover its costs?**

A. All of the assets at issue in this docket are transmission assets, so costs will be recoverable through transmission rates authorized by the Federal Energy Regulatory Commission ("FERC"). Specifically, the double-circuit 345/161 kV transmission line that MEC plans to construct from Oak Grove to Sandburg, of which the Transmission Line is a part, is a component of a larger project that is included in MISO's Multi-Value Project ("MVP") Portfolio. Costs for MISO MVPs are to be allocated across the entire MISO footprint - generally based upon power deliveries to loads within each jurisdiction. So, MEC plans to recover its +/- \$14 million cost for constructing the Transmission Line as part of its cost to construct the new 345 kV line from Oak Grove to Sandburg. As previously explained, the Commission is considering whether to grant MEC a Certificate for its proposed 345

kV transmission line from Oak Grove to Sandburg in Docket No. 14-0494. MEC reasons that its inclusion of costs for the new 161 kV line as part of the new 345 kV project is appropriate because construction of the proposed 345 kV line cannot occur unless the existing 161 kV line is replaced with the new 161 kV line. According to MEC, since the 345 kV line is causing construction of the new 161 kV line, of which the Transmission Line is a part, it is appropriate to assign costs for the new 161 kV line to the 345 kV project.<sup>3</sup> FERC has already issued an order approving the transfer.<sup>4</sup> It appears to me that, due to the allocation method for MVP costs, it will make no difference to customers whether the cost for the Transmission Line is included as part of the 345 kV line's cost, or as a stand-alone cost. Either way, the cost is part of MVP-16, which will be allocated across the MISO footprint in the same manner.

**Q. Have you reviewed the journal entries that the Companies propose to account for the asset transfers?**

**A.** No. Staff witness Burma Jones, discusses the companies proposed journal entries in Staff Ex. 2.0.

**Q. Does this conclude your prepared direct testimony?**

**A.** Yes.

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<sup>3</sup> Response to Staff DR ENG 2.06, included as Attachment B to this testimony.

<sup>4</sup> FERC November 18, 2014, Order in Docket No. EC14-146-000, included as Attachment C to this testimony.

**ENG 2.04**

**ILLINOIS COMMERCE COMMISSION**

Utility Company: **MidAmerican Energy Company**

Regarding: **Docket No. 14-0572 -- Petition for Declaratory Ruling that Approval of Purchase of Utility Assets is not Necessary pursuant to Section 7-102 and 83 Illinois Administrative Code 105.40 or, in the alternative, Approval of Purchase of Utility Assets pursuant to Section 7-102; Transfer of Franchises, Licenses, Permits or Rights to Own pursuant to Section 7-203; Transfer of Certificates of Convenience and Necessity pursuant to Section 8-406; and the Granting of All Other Necessary and Appropriate Relief. (filed September 19, 2014).**

Date Submitted: **November 21, 2014**

**STAFF DATA REQUEST ENG 2.04**

Responder Name: K. Thomas Albertson  
Phone: 563-333-8155  
Job Title: Manager, High Voltage Engineering

ENG 2.04 With Staff DR 1.07, Staff was seeking to learn the difference in cost between building a single-circuit 345 kV line and a double-circuit 345/161 kV line using the same route -not different routes as Petitioner's response provides. Please provide the anticipated incremental cost for adding the new 161 kV line to the planned 345 kV line using the proposed route.

Response: The incremental cost to include re-constructing the 161 kV line as part of the 17 mile double-circuit 345/161 kV line from the proposed Mercer Substation to the Galesburg Substation using the proposed route is approximately \$14,255,000.

MidAmerican considered an option of constructing the 345 kV line on a parallel right-of way to the existing 161 kV line and concluded it was not a viable option from a land rights perspective. Most of this portion of the line route crosses agricultural land and landowners with property currently encumbered by the existing 161 kV line would be less likely to agree to additional inconvenience caused by a new line constructed directly adjacent to the existing line.

**ENG 2.06**

**ILLINOIS COMMERCE COMMISSION**

Utility Company: **MidAmerican Energy Company**

Regarding: **Docket No. 14-0572 – Petition for Declaratory Ruling that Approval of Purchase of Utility Assets is not Necessary pursuant to Section 7-102 and 83 Illinois Administrative Code 105.40 or, in the alternative, Approval of Purchase of Utility Assets pursuant to Section 7-102; Transfer of Franchises, Licenses, Permits or Rights to Own pursuant to Section 7-203; Transfer of Certificates of Convenience and Necessity pursuant to Section 8-406; and the Granting of All Other Necessary and Appropriate Relief. (filed September 19, 2014).**

Date Submitted: **November 21, 2014**

**STAFF DATA REQUEST ENG 2.06**

Responder Name: **Dehn Stevens**  
Phone: **563-333-8138**  
Job Title: **Director, Transmission Services, MidAmerican Energy**

ENG 2.06      Please fully explain how MEC plans to recover its actual cost for constructing the new T2-556 MCM ACSR 161 kV transmission line between (a) Oak Grove and Mercer and (b) Mercer and Sandburg.

**Response:**

MidAmerican will account for the incremental cost to reconstruct the 161 kV line using T2-556 MCM ACSR conductor as part of the 345 kV transmission line project costs because the reconstruction would not have occurred but for the need to re-use the existing right-of-way to facilitate the construction of the 345 kV line. This accounting applies to both (a) Oak Grove – Mercer and (b) Mercer – Sandburg. The 345 kV line costs will be recovered in accordance with the methods applicable to MISO Multi-Value Projects (“MVPs”). Namely, the annual revenue requirements will be collected via MISO Rate Schedule 26-A. Under that rate schedule, the costs are allocated to all MISO-wide loads and exports. The end-result is only a relatively small portion of the costs will be recovered from Illinois end-use retail customers.

149 FERC ¶ 62,114  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Ameren Illinois Company

Docket No. EC14-146-000

ORDER AUTHORIZING ACQUISITION OF  
JURISDICTIONAL FACILITIES

(Issued November 18, 2014)

On September 17, 2014, Ameren Illinois Company (Ameren Illinois or Applicant) filed an application under section 203(a)(1)(B) of the Federal Power Act (FPA)<sup>5</sup> requesting Commission authorization for the acquisition of jurisdictional facilities in which Ameren Illinois will acquire from MidAmerican Energy Company (MidAmerican) (1) two 161-138 kV transformers along with related substation and other equipment (Transformers Acquisition), and (2) an approximately 17 mile, 161-kV line segment (Transmission Line Acquisition) (collectively with the Transformers Acquisition, Proposed Transactions). The jurisdictional facilities affected by the Proposed Transactions consist of the aforementioned transformers and line segment and any related equipment.

Applicant states that it is a subsidiary of Ameren Corporation (Ameren) that engages in the transmission, distribution, and sale of electric energy subject to the Commission's jurisdiction, and provides distribution and power sales services to retail customers in Illinois subject to the jurisdiction of the Illinois Commerce Commission. Applicant states that it is also a transmission owner within the Midcontinent Independent System Operator, Inc. (MISO). Applicant further states that it is affiliated with Ameren Transmission Company of Illinois and Union Electric Company, among others, both of which are transmission owners within MISO.

Applicant states that MidAmerican is an electric and natural gas utility, incorporated in Iowa, that serves regulated retail customers in Iowa, Illinois, South Dakota, and Nebraska. Additionally, Applicant states that MidAmerican serves competitive retail customers in the central and eastern United States and engages in marketing wholesale electric power in various regions. MidAmerican is a transmission-owning member of MISO.

Applicant states that, under the Proposed Transactions, pursuant to a purchase

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<sup>5</sup> 16 U.S.C. § 824b (2012).



agreement, Ameren Illinois will acquire (1) two 161-138 kV transformers and related equipment currently owned by MidAmerican and located at Ameren Illinois' East Galesburg Substation, and (2) a portion of a yet-to-be constructed 161-kV transmission line. Applicant states that MidAmerican will replace an existing 161-kV transmission line it owns that runs between its Oak Grove Substation and Ameren Illinois' East Galesburg Substation with a 161-kV transmission line that will connect MidAmerican's Oak Grove Substation with a new substation to be built by Ameren Illinois Transmission Company immediately adjacent to the East Galesburg Substation, which will be named the Sandeburg Substation. Applicant states that the new 161-kV line will also tie in to a new substation to be built by Applicant named Mercer Substation. MidAmerican will sell to Ameren Illinois conductors, insulators, arms and shield wire on the portion of the new 161-kV line running from the new Mercer Substation to the Sandeburg Station.

Applicant states that the Proposed Transactions are consistent with the public interest and will not have an adverse effect on competition, rates, or regulation and will not result in cross-subsidization or the pledge or encumbrance of utility assets for the benefit of an associate company.

With respect to horizontal market power, Applicant states that a horizontal market power analysis is not required. Applicant states that the Commission has indicated that a horizontal power analysis is not required when a transfer involves only transmission facilities. Applicant asserts that there will be no combination of generation assets because the Proposed Transactions only involve transmission facilities, thus a horizontal market power analysis is not required.

Applicant further states that there is no need for a vertical market power analysis. Applicant states that the Proposed Transactions do not implicate any inputs to electricity products or generation assets. Applicant asserts that the subject transmission facilities will continue to be under the control of MISO, an independent Regional Transmission Organization. Applicant states that the Commission has found this sufficient to address vertical market power concerns. Accordingly, Applicant states that the Proposed Transactions raise no vertical market power concerns.

Applicant states that the Proposed Transactions will not have an adverse effect on rates. First, Applicant states that, although the price of the Transformers Acquisition is 30 percent above the net book value cost of the associated transformers, Applicant will not seek recovery of any amount above book value. Second, Applicant states that, while the purchase price of the Transmission Line Acquisition will be 30 percent above the net book value of the existing 161-kV line segment, Applicant will not seek recovery of any amount above book value. Third, Applicant asserts that the Proposed Transactions will result in significant cost savings to Applicant and therefore to Applicant's customers. Last, Applicant states that the costs of the transformers and existing 161-kV line will be removed from MidAmerican's books at their net book value and added to Applicant's

books at the same net book value, thus causing no impact on Commission-jurisdictional transmission rates overall.

With regard to regulation, Applicant states that the Proposed Transactions will not have an adverse effect. Applicant asserts that neither the authority of the Commission nor the authority of the Illinois Commerce Commission will be affected by the Proposed Transactions.

Applicant states that, based on facts and circumstances known to it or that are reasonably foreseeable, the Proposed Transactions will not result in, at the time of the closing or in the future, cross-subsidization of a non-utility associate company or the pledge or encumbrance of assets of a traditional public utility that has captive customers or that owns or provides transmission service over jurisdictional facilities for the benefit of an associate company. Specifically, Applicant states that the Proposed Transactions do not involve a franchised public utility with captive customers and will not result in: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuance of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contract between a non-utility associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and service agreements subject to review under sections 205 and 206 of the FPA.

In Exhibit N of its application, Ameren Illinois provides proposed journal entries reflecting the purchase of certain in-service plant assets and a transmission line segment still in the process of construction.<sup>6</sup> For the transfer of the in-service plant assets and the line segment still in the process of construction, Ameren Illinois proposes identical accounting treatment, which is debiting Account 101, Electric Plant in Service, and Account 114, Electric Plant Acquisition Adjustments, and crediting Account 232, Accounts Payable. Ameren Illinois has not explained why the Commission's original cost rules should not be applied to the in-service plant assets transaction, which will require recording of the original cost of these assets in Account 101 and depreciation previously accumulated on these assets in Account 108, Accumulated Provision for

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<sup>6</sup> The in-service plant assets comprise of two 161-138 kV transformers and related substation equipment. The facility still in the process of construction will consist of an approximately 17-mile, 161-kV transmission line segment.

Depreciation of Electric Utility Plant. Also, Ameren Illinois has not explained whether the in-service plant assets constitute the purchase of an operating unit or system that would require clearing of the transaction through Account 102. Furthermore, Ameren Illinois has not clearly explained what the acquisition adjustment represents for the transmission line segment still in the process of construction. Accordingly, we are unable to determine if Ameren Illinois's proposed accounting complies with all aspects of the Commission accounting requirements. Ameren Illinois shall file its final accounting, including complete narrative explanations, within six months of the date of the Transaction.<sup>7</sup>

The filing was noticed on September 17, 2014, with comments, protests, or interventions due on or before October 8, 2014. MidAmerican intervened on October 8, 2014. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214) (2014).

Information and/or systems connected to the bulk system involved in this transaction may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information database, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North America Electric Reliability Corporation or the relevant regional entity may audit compliance with reliability and cybersecurity standards.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.<sup>8</sup> The foregoing authorization may result in a change in status. Accordingly, Applicants are advised that they must comply with the requirements of Order No. 652. In addition, Applicants shall make any necessary filings under section 205 of the FPA to implement the Proposed Transaction.

After consideration, it is concluded that the Proposed Transactions are consistent

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<sup>7</sup> 18 C.F.R. Part 101 (2014).

<sup>8</sup> *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, 70 Fed. Reg. 8,253 (Feb. 18, 2005), FERC Stats. & Regs. ¶ 31,175, *order on reh'g*, 111 FERC ¶ 61,413 (2005).

with the public interest and are authorized, subject to the following conditions:

- (1) The Proposed Transactions are authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (4) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (5) If the Proposed Transactions result in changes in the status or upstream ownership of Applicant's qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2014) shall be made;
- (6) Applicant must inform the Commission of any change in circumstances that would reflect a departure from the facts the Commission relied upon in authorizing the Proposed Transactions;
- (7) Applicant shall make appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transactions;
- (8) Applicant shall notify the Commission within 10 days of the date that the acquisition of jurisdictional facilities has been consummated; and

- (9) Ameren Illinois shall submit its final accounting entries within six months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2014). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2014).

Steve P. Rodgers  
Director  
Division of Electric Power Regulation - West